

**State Employee Benefits Committee
February 19, 2010, 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware**

The State Employee Benefits Committee met on February 19, 2010 at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, OMB, Director,
Statewide Benefits
Faith Rentz, OMB, Statewide Benefits
Ann Skeans, OMB, Statewide Benefits
Leslie Ramsey, OMB, Statewide Benefits
Mary Thuresson, OMB, Statewide Benefits
Vicki Ford, OMB, Financial Operations
Tina Hession, OMB, PHRST
Mike Morfe, AON Consulting
Dr. Kaplan, BCBSD
Andrew Kerber, Department of Justice
Carolyn Berger, Justice, Supreme Court
Steve Kubico, Office of Controller General
Henry Smith, DHSS
Julian Woodall, Department of Insurance
Nick Adams, State Treasurer's Office
Tom Cook, Secretary of Finance
David Craik, Office of Pensions
Tom Chapman, SEBAC Chair, DSEA

Mary Cooke, DOE
Kim Hawkins, City of Dover
Peggy Teal, City of Dover
Chris Ulrich, U of D
Mary Pat Urbanik, U of D
Toni A. Reed, U of D
Judy Anderson, DSEA
Timothy Barchak, DSEA
Stephen P. Smith, DSEA, retired
James R. Harrison, DSEA, retired
Richard Phillip, DSEA, retired
Mike North, Aetna
Katherine Impellizzeri, Aetna
Julie Caynor, Aetna
Drew Brancati, BCBSD
Jay Reed, BCBSD
Faith Joslyn, BCBSD
Chris Aldrich, BCBSD
John Kenyon, AFSCME
Greg Sisofu, Delta Dental

Agenda Items Discussed:

Introductions/Sign In

Ms. Visalli called the meeting to order at 2:02 p.m. Those who wanted to give comment were reminded to sign in. Introductions around the room followed.

Approval of Minutes

Ms. Visalli asked for a motion to approve the January 25, 2010 SEBC minutes. Justice Berger made the motion to approve the minutes and Mr. Smith seconded the motion. The minutes were approved with unanimous voice vote.

Director's Report – Brenda Lakeman

As described in prior SEBC meetings, a pilot Dependent Eligibility Audit is being conducted on three participating groups: Department of Services for Children, Youth & Their Families (KIDS), City of Milford and Capital School District. In January members were notified to access the website or send in their documents starting February 1. Through yesterday, Unvers, who is conducting this audit, has received 904 calls with over 300 in the past three days. Over 50 percent of the eligible employees have submitted their documentation. We are happy to report that to date, less than two percent of dependents have been determined to be ineligible. We have extended the

audit for another week (through close of business on 2/26/10) for those who have not complied. We will be following up with those who do not comply after the audit officially closes.

Health Fund Financials – Vicky Ford (handout)

The Fund and Equity Report as of the end of January, has an ending balance of just over negative \$3.3M. One of the notable adjustments was that BCBSD claims were down from the prior month. Being no questions, Ms. Visalli stated they would continue to look at claims history and plan rates for FY11.

Minnesota Life, Group Universal Life (GUL) – Faith Rentz (handout)

The Statewide Benefits Office met this week with the state's vendor for GUL coverage and they presented a renewal offer for calendar year beginning January 1, 2011. They proposed continuing the existing rates thru December 31, 2012. An overview with discussion, questions and answers included each of the following areas:

- Current Life Insurance Benefit
- Rate History
- Renewal Proposal
 - Increase Child Life from \$6,000 to \$10,000 with no change to the \$1.16 monthly premium
 - Offer a \$20,000 Spousal Life option in addition to the current \$10,000 option
 - New - Include 30 minute consultations and a web based program for will preparation and legal services
- Rate Structure effective January 1, 2011

There was discussion along with questions and answers. Justice Berger was not in agreement with the renewal because it did not allow employees to carry 100 percent GUL insurance upon retirement or termination. Ms. Visalli stated the vote could be postponed until the next meeting so additional information can be obtained regarding the renewal proposal if the port option is revised from the current 50 percent. Ms. Rentz and Ms. Lakeman will provide Justice Berger with the materials previously shared with the committee and which led to the change in ported coverage from 100 to 50 percent.

Group Health Plan FY 2011 Planning – Brenda Lakeman (handouts)

Agenda Items:

- Review of Medco Program Change Options
- Review Possible Coverage Changes to:
 - Bariatric Surgery
 - In Vitro Fertilization (IVF)
- Review Utilization Management of High Tech Imaging with MedSolutions for Blue Cross members
- Q & A
- Vote on Recommendations for Changes

Following all reviews, questions and answers, Ms. Lakeman made recommendations for which the voting would be done after all had opportunity to make comments:

Medco Program - Prescription Changes/Recommendations

Managing cancer drugs would impact approximately 62 of 250 patients currently utilizing cancer medications. Plan costs in FY 2009 were \$2.8M or over \$11,000 per person per year. This is a package to assist physicians with coverage of cancer oncology medications that are most effective for their patients. Medications in this class will require a coverage authorization review with a physician. There is an estimated savings of \$243,000 per year.

Multiple sclerosis drugs represented \$3.2M in costs in FY 2009 for 133 patients or a cost per person per year of almost \$24,000. Many of these medications continue to be prescribed past their effectiveness. The prior authorization program will determine the stage of the member's disease and the physical condition of the patient to assess if continued medication use is justified. The estimated savings for those who may be determined to no longer benefit from the medications is \$385,000 with an estimated patient impact of 100.

The migraine drug step therapy program is similar to the program recently approved for high blood pressure medications. Three options were reviewed with the following being the recommended option: **Targeted Drugs:** Amerge, Axert, Frova, Treximet, Zomig/ZMT; **Preferred Alternatives:** Sumatriptan, Relpax & Maxalt/MLT. It impacts the least number of patients at 245 who are taking those five drugs in the targeted drug category. They would be recommended to move to the preferred alternatives. The savings will be just under \$100,000 per year.

Personalized medicine is genetic testing for Warfarin (which is cumadin) and Tamoxifen which is a breast cancer drug. The target on this proposed change would be new users of these medications. Current users would not be impacted. Tamoxifen savings of \$118,500 is based on a two year return on investment and the avoidance of cancer re-occurrences. Warfarin savings of \$411,000 is based on a one year return on investment and the avoidance of hospitalizations. Tamoxifen has 158 current users with an estimated 51 new users. Warfarin has 2,176 current users with an estimated 822 new users.

Bariatric Surgery – Options/Recommendation

The State of Delaware pays an average of \$2.6M annually on bariatric procedures for approximately 150 patients. Two options were discussed with the goal of better outcomes, less complications and financial savings. Option 1 is the recommended option for approval:

Option 1 (Recommendation)

- Pay for services at Blue Distinction Centers for Blue Cross members and Aetna's facilities in their national Institute of Quality for Bariatric surgery network at current level, and
- Require 25% member coinsurance for all members who receive bariatric services at other facilities

“PLEASE NOTE:

- There are no currently Blue Distinction Centers for Blue Cross HMO members in Delaware. St. Francis in Wilmington has made application for accreditation and Peninsula General in Maryland is an accredited Blue Distinction Center.
- Blue Cross HMO members also will have the option to change to the Blue Cross PPO or Aetna HMO in order to go to a facility in Delaware to received covered procedures at the current level; or,
- These members can go to facility in Delaware and pay 25% coinsurance at an average of \$4500 out of pocket cost.

Option 2 (Not Recommended)

- Restrict services to Blue Distinction Centers for Blue Cross members, and
- Consider requiring a coinsurance of 25% for all members who receive these bariatric services at these facilities

In Vitro Fertilization (IVF) – Options/Recommendation

Average annual medical spend for IVF coverage in the State of Delaware plans is \$490,000 for approximately 150 patients. Additionally, average annual medical spend for all infertility is over \$1.5M. Approximately \$500,000 is spent annually on infertility drugs for only those members approved for IVF and \$800,000 is spent for all members utilizing infertility medications. The following options were reviewed with option 3 being the recommended option:

Option 1 (Not Recommended)

- Split medical and prescription benefit to limit medical coverage to \$10,000 and prescription coverage to \$15,000 for IVF only or all infertility services and associated drugs

Option 2 (Not Recommended)

- 25% member coinsurance as employee share for IVF only or all infertility medical and prescription services with cap

Option 3 (Recommendation)

- 25% member coinsurance on medical services for infertility with a cap of \$10,000
- 25% member coinsurance on all infertility medications with a cap of \$15,000
- Members must continue to be pre-approved for IVF services
- “Grandfather” members who have been approved for IVF services prior to July 1, 2010 and utilized medical IVF services since January 1, 2009 to retain \$30,000 combined lifetime limit on medical and prescription costs for these services. **“Grandfathered” members will be subject to the 25% coinsurance.**
- Estimated annual savings are \$625,000

High-Tech Radiology Utilization Management – Recommendation

The State of Delaware spent \$12.1M in FY 2009 for high-tech radiology through Blue Cross for 13,002 unique cases. Recommendation is to implement MedSolutions for utilization management of high-tech radiology for Blue Cross members.

- Focus on patients receiving medically appropriate tests to maximize patient safety by reducing radiation exposure.
- Studies have shown that up to 40% of tests may not be medically appropriate
- Establish performance guarantees to include a savings guarantee; standards on the number of appeals overturned on clinical grounds within acceptable percentages; standards on the number of member complaints within acceptable range

Savings to the State of Delaware in FY 2011 are estimated to be approximately \$1.7M

Michelle's Law and Mental Health parity (Federal Mandates for July 1, 2010) - Recommendation

Adopt Michelle's Law which allows dependent students who take a medically necessary leave of absence from a post-secondary educational institution shall not have their health care coverage terminated due to non-student status before the earlier of one year after the first day of the medically necessary leave of absence or the date on which such coverage would otherwise terminate due to the terms of the plan (ie age 24).

Adopt Mental Health Parity which prohibits employers who offer mental health and substance abuse benefits to impose a more restrictive financial requirements or treatment limitations on these benefits than those applied to medical or surgical benefits.

SEBAC Comment - Tom Chapman, Chair

SEBAC supports the changes to Medco's Prescription Plan for specialty drugs, migraine therapy and genetic testing as a way of ensuring appropriate practices and care for our members. SEBAC also finds these changes to be similar to past program changes. SEBAC continues to support member feedback and a strong appeal process after these changes are adopted.

Regarding Bariatric and IVF, SEBAC supports the changes to the Bariatric policy as a method of ensuring higher quality procedures and care for our employees. We hope that these will lead to lower complication rates. SEBAC also supports changes to the IVF policy because it preserves a current benefit while allowing for enhanced IVF management. SEBAC feels all of these proposals are warranted due to the high costs of these services and the small number of members utilizing such benefits.

Regarding MedSolutions, SEBAC supports the state contract with MedSolutions as a method of ensuring that Delaware employees will be receiving the appropriate tests while providing Delaware physicians with a greater level of research for diagnosis. SEBAC supports strict monitoring of this contract in order to ensure that the State continues to provide high quality care and that the projected savings manifest itself.

On Michelle's Law and Mental Health Parity issues, SEBAC is in favor of the State complying with Federal mandates regarding these two issues.

Public Comments

Steve Smith – DSEA, Retired – He related his and other retiree's experiences not having been informed of changes in approved drugs and the process of having to go thru the step therapy, sometimes more than once. They must try cheaper drugs before being allowed to use a high price drug that works for them. They must endure the side effects, spend money for drugs that don't work for them and remain sick during the process, at times having to repeat the process before getting approval for the medications that work for them. Numerous calls to Medco did not solve the problems for him. He searched the Medco web site and found some of their meds listed as preferred. The pharmacist told him some medications are turned down because they are too expensive. After research he found pharmaceuticals have raised rates on many of these medications from 17 to 30 percent as of January 1. Personally he tried medications again and almost ended up in the hospital because he can't take them. Now he has to wait another three business weeks to have his appeal reviewed. At the last meeting someone said they could resolve this in 24 hours and it is just not true. Medco said these changes were made by this Committee and took effect January 1. They are saying you are the ones that said I can't have the medications.

Ms. Visalli stated they do not want people putting their health at risk. If there are such problems they need to contact the Statewide Benefits Office immediately. Steve Smith will tell others to contact the office with questions or problems.

There was also concern as to why our medications cost us so much when they are much cheaper in Canada. Steve Smith was asked to submit his comments in writing for further review. Justice Berger suggested a statewide email be sent to all state employees and retirees informing them who to call.

Voting

Ms. Visalli asked for a motion to delay the vote on maintaining the current rates for Group Life Insurance until the next meeting with the caveat to get back to Justice Berger with information on employees who have separated from state service and retiring and the impact that full portability has on the rate structure for current active employees. Justice Berger made the motion and Secretary Cook seconded. Upon unanimous voice approval the motion carried.

Ms. Lakeman asked for a motion to approve the recommendation for management of the two specialty classes of oncology medications for cancer treatment and also Multiple Sclerosis medications as of July 1, 2010. Mr. Adams made the motion and Secretary Cook seconded the motion. All but one member present voted for approval. Justice Berger was opposed to the oncology portion changes. The motion carried.

Ms. Lakeman asked for a second motion to adopt the Step Therapy for migraine medication. The change impacts approximately 245 patients with a savings of just under \$100,000. Secretary Cook made the motion and Mr. Adams seconded. All made a verbal approval and the motion carried.

Ms. Lakeman asked for a third motion to adopt Personalized Medicine Genetic Testing for Warfarin and Tamoxifen with an estimated savings of \$500,000. Secretary Cook made the motion and Mr. Adams seconded. Justice Berger opposed the change with Tamoxifen. Having voice approval of the majority of members, the motion carried.

Ms. Lakeman asked for a motion to approve Bariatric Coverage that we maintain the same level of coverage for procedures performed at bariatric centers designated by medical vendors as Centers for Excellence or Distinction Centers. The motion included a 25 percent co-insurance for procedures done at any other bariatric center at a savings of \$500,000. Secretary Cook made the motion and Mr. Adams seconded. Upon unanimous voice approval the motion carried.

Ms. Lakeman asked for a motion to approve the IVF coverage classifications. The motion included a 25 percent co-insurance for all infertility medical coverage with a lifetime cap of \$10,000 and a 25 percent member co-insurance for all infertility medications with a lifetime cap of \$15,000. Members approved for IVF services through their medical plan prior to July 1, 2010 will be grandfathered at the current \$30,000 combined annual limits; however, these individuals will be required to pay the 25 percent co-insurance for infertility medical services and prescriptions incurred on or after July 1, 2010. Estimated savings are \$625,000 annually. Secretary Cook made the motion and Mr. Adams seconded. The motion carried with unanimous voice approval.

Ms. Lakeman asked for a motion to add the High-Tech Radiology Utilization Management to the Blue Cross medical plans effective July 1, 2010 with an estimated savings of \$1.7 million. Secretary Cook made the motion and Mr. Adams seconded. All made a verbal approval and the motion carried.

Ms. Lakeman asked for a motion to approve both Federal Mandates of Michelle's Law and Mental Health Parity as of July 1, 2010 at projected cost of \$1.3 million. Secretary Cook made the motion and Mr. Adams seconded the motion. Upon unanimous voice approval the motion carried.

Other Business

Ms. Visalli informed the committee of continued efforts to put forth options to reduce the gap. The Governor's Recommended Budget proposed a new tier for health care which, if passed, will apply to new employees hired on or after January 2011. The Director's office will be contacting DSEA, AFSCME and other organized labor groups to discuss the specifics of the new hire tier as it relates to medical and pension benefits and where Delaware ranks compared to other states on new hire benefit packages. Legislation has to be passed for any new tier to be implemented. Input will be requested. This proposal will lead to long term cost savings resulting from new employees hired in the future and will not affect what this Committee does for current employees. Ideas and questions can be addressed to the Director.

Ms. Visalli reminded all that the next SEBC meeting will be on March 8, 2010 at 2:00 p.m. Being no further business, Ms. Visalli asked for a motion to adjourn. Mr. Adams made the motion and Mr. Smith seconded the motion. Upon a unanimous voice approval the SEBC adjourned at 3:00 p.m.

Respectfully submitted,

Mary K. Thuresson
Administrative Specialist
Statewide Benefits Office, OMB